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**USTR BARSHEFSKY ANNOUNCES RESULTS OF
SPECIAL 301 "OUT-OF-CYCLE" REVIEWS**

United States Trade Representative Charlene Barshefsky today announced "out-of-cycle" review decisions with respect to Paraguay, Turkey, Bulgaria, Brazil, and Hong Kong under the U.S. Government's special 301 program, designed to advance the protection of intellectual property rights.

Ambassador Barshefsky today identified Paraguay as a "priority foreign country" under the "special 301" provisions of the Trade Act of 1974 (Trade Act), noting Paraguay's failure to take effective action against alarming levels of piracy and counterfeiting and failure to implement modern intellectual property laws. USTR will initiate an investigation of Paraguay's practices under special 301 within 30 days and will be requesting consultations with Paraguay at that time. Failure by the Government of Paraguay to address U.S. concerns prior to the close of the investigation could lead to the imposition of bilateral trade sanctions.

Ambassador Barshefsky also announced that she has requested establishment of a WTO dispute settlement panel to examine the U.S. complaint against Ireland regarding its failure to implement TRIPS-consistent copyright legislation. Under the WTO TRIPS agreement, Ireland was obligated to implement the TRIPS agreement by January 1, 1996.

In addition to identifying Paraguay, Ambassador Barshefsky announced these other out-of-cycle review decisions:

- Bulgaria will be elevated to the priority watch list. Should Bulgaria fail to make substantial progress toward combating the piracy of CDs and software compilations on CD-ROMs, it will be identified as a priority foreign country, as early as April.
- Turkey will remain on the priority watch list. The Administration will not consider

requests to augment Turkey's benefits under the U.S. Generalized System of Preferences (GSP) until long-sought improvements are made in Turkey's intellectual property laws and enforcement.

- Brazil and Hong Kong will be maintained on the watch list but must make additional progress on issues of concern by the April review.
- Ambassador Barshefsky also expressed concern with the current situation in Ecuador.

Today's decision again demonstrates the Administration's continued resolve to press other countries throughout the year to improve intellectual property protection and enforcement. "We will continue to monitor developments and take appropriate actions wherever warranted to boost enforcement against piracy. In country after country a basic test is whether the laws, enforcement tools, and compliance meet international standards," said Barshefsky. On October 27, 1997, Ambassador Barshefsky announced other out-of-cycle review decisions with respect to Italy, Thailand, Panama, Ecuador and Luxembourg.

The Clinton Administration has an unparalleled record of IPR enforcement. As the result of actions that Ambassador Barshefsky announced in the 1997 special 301 review, the Administration has initiated or reached positive settlements in WTO dispute settlement actions against Denmark, Sweden, and Ireland. This brings to nine the number of IPR-related WTO cases initiated by the United States since 1996. In December 1997, Ambassador Barshefsky announced the WTO had ruled in favor of the United States in its case against India on protection of pharmaceuticals and agricultural chemicals. This was the first intellectual property rights dispute decided by the WTO Appellate Body and represents a significant victory that will benefit U.S. pharmaceutical and agricultural chemical companies' interests in several developing countries.

In April 1997, at the time of the last special 301 annual review, Barshefsky placed Paraguay and Turkey on the "priority watch list", and placed Bulgaria, Brazil, and Hong Kong on the "watch list." In addition, she announced that she would conduct out-of-cycle reviews regarding the situation in these countries prior to the April 1998 annual review.

These out-of-cycle reviews have led to the following determinations:

Paraguay will be identified a priority foreign country.

In the absence of effective enforcement actions by the Government, piracy and counterfeiting have reached alarming levels in Paraguay. The United States has persistently urged the Government of Paraguay to take effective action to crack down against piracy and counterfeiting internally and especially at its borders with Argentina and Brazil. The Government has also been urged to enact adequate and effective intellectual property legislation, covering patents, copyrights and trademarks. Despite the efforts of some concerned Government officials, the enforcement actions taken to date have been insufficient to halt rampant production and export of pirate and counterfeit goods. Paraguay also remains a major transshipment point for such product to the

rest of the region. We are encouraged that copyright and trademark legislation recently passed Paraguay's Chamber of Deputies, but are discouraged by the lack of progress toward passage of adequate and effective patent legislation. We look to the Government of Paraguay to take effective enforcement action, internally and at the border, toward substantially eliminating piracy and counterfeiting and to enact adequate and effective intellectual property legislation without further delay.

Bulgaria will be elevated to the priority watch list. Should the Government of Bulgaria fail to make substantial progress toward combating the piracy of CDs and software compilations on CD-ROMs, it will be identified as a priority foreign country, as early as April.

Despite having established a modern legal framework which should enable the Government of Bulgaria to crack down against copyright piracy, it has failed to take effective enforcement actions to address a rampant piracy problem. The United States is seriously concerned that Bulgaria has become the largest source of pirate CD production in Europe and one of the largest exporters of such products. We are particularly disturbed that this situation persists despite the fact that the Government of Bulgaria has made commitments to provide effective enforcement under two previous bilateral agreements with the United States. This includes a commitment to establish an effective title verification system aimed specifically at preventing and detecting unauthorized production of such CD's and CD-ROMs at the CD plants and other facilities. In addition, the Government of Bulgaria has committed to implement the WTO TRIPS Agreement, including its enforcement provisions, as of December 1, 1996.

Turkey will remain on the priority watch list. The United States will not consider requests to augment Turkey's benefits under the U.S. Generalized System of Preferences (GSP) until long-sought improvements are made in Turkey's intellectual property laws and enforcement.

Turkey continues to have inadequate intellectual property laws and its enforcement efforts have largely been ineffective. As part of Turkey's entry into a customs union with the EU, Turkey agreed to continue to improve its intellectual property regime. Nevertheless, Turkey's copyright and patent laws remain deficient and TRIPS inconsistent in a number of respects. Moreover, enforcement efforts remain lax and, as a result, piracy is widespread. We are encouraged that Turkey recently equalized the tax on the showing of foreign and domestic films pursuant to our agreement to resolve a WTO dispute settlement proceeding. However, insufficient progress has been made on the remaining issues of concern to the United States. We will review Turkey's progress toward resolving these issues in the April 1998 review.

Brazil will be maintained on the watch list.

The U.S. remains concerned that Brazil has not enacted adequate and effective intellectual property laws to protect computer software, copyright and integrated circuits. The United States is also concerned that Brazil has not yet fully implemented the modern patent legislation which came into effect in May 1997. We have noted, however, that some progress toward enactment of software and copyright legislation has been made since April. We are further encouraged by reports that this legislation has recently been granted "urgent" status and will be considered in an

upcoming legislative session. We expect that Brazil will make progress toward successfully resolving these issues before the April review.

Hong Kong will be maintained on the watch list.

We are encouraged by steps taken by Hong Kong authorities since the April 1997 review toward addressing U.S. concerns regarding piracy. These include more intense and frequent raids on retail centers; the first-ever raids on pirate CD production facilities in Hong Kong; as well as legislative improvements, notably the enactment of a new Copyright Ordinance, initiation of its licensing regime for imported CD production equipment, and the drafting of laws to license and regulate the operation of optical disc production facilities. Despite these initiatives, the piracy situation in Hong Kong has not improved. Many major pirate retail centers remain in full operation and overcapacity for CD production continues to rise. In the April review, we will closely examine Hong Kong's implementation of pending legislative proposals, including additional measures aimed at strengthening Hong Kong's enforcement regime, as well as the extent to which enforcement activity has reduced overall rates of piracy.

Ecuador

At the end of December 1997, Ecuador introduced draft intellectual property legislation. We are currently examining the legislation and monitoring its progress in the Congress. We are seriously concerned that, despite Ecuador's repeated assurances that it would fulfill all of its international IPR obligations before now, it has thus far failed to do so. We also remain concerned that discriminatory provisions of the Dealers' Act may continue to be applied against U.S. companies. We are currently examining the appropriate next steps to address this situation.